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ABSTRACT

The reluctance of the Southeast to increase educational spending is closely linked to the region's lagging behind the rest of the nation in quality of education and hence in overall standard of living. Six "myths" about educational spending, widely held in the Southeast, are here addressed: (1) That educational expenditures, worthwhile in the long run, are burdensome in the short run. In reality, dollars spent on education create jobs, purchase goods and services, and contribute to local economies. (2) That educational spending has greatly increased. In truth, increases have been modest relative to inflation and new demands. (3) That higher salaries have improved the economic status of teachers. In fact, because of inflation, teachers' purchasing power has declined, and too little has been spent for support services. (4) That the Southeast spends proportionally more than other regions. Actually, expenditure per capita corresponds to the national average. (5) That the Southeast has been closing the gap. In reality, unless spending increases dramatically, the region will remain in last place. (6) That the Southeast cannot afford increased educational spending. On the contrary, one cent more per dollar of personal income could turn mediocrity into excellence. (TE)

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1983

Southeastern Educational Information System Analyses

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EXPENDITURES FOR PUBLIC SCHOOLS IN THE SOUTHEAST

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EDUCATION FOR THE FUTURE
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SEIS Progress Report

Expenditures for Public Schools in the Southeast

by Ronald Bird

November, 1983

SOUTHEASTERN EDUCATIONAL INFORMATION SYSTEM ANALYSES

SOUTHEASTERN REGIONAL COUNCIL FOR EDUCATIONAL IMPROVEMENT

EXECUTIVE SUMMARY

Few would deny that the public schools play a critically important role in the nation's social, political, and economic systems. They provide the backbone of the nation's participatory democracy, educate and train the nation's workforce, and have been called upon to aid in tapping the resources of a culturally diverse population and in solving such problems as poverty and discrimination.

Economically, schools serve a particularly vital function for the United States. In the long term, education dollars represent an essential ingredient in an upward cycle of economic growth, wealth, job opportunities, and community prosperity. In the short term, education dollars also play a key role as a major component of local economies — supplying jobs and contributing dollars to support the communities' businesses as a whole.

The level of spending for public schools is linked to both the quality of education and the overall standard of living of a community, state, or region. Historically, education spending levels and patterns in the Southeast have lagged behind those of the rest of the nation, as have such indicators of economic and community well-being as per capita income, student achievement, and salary and wage levels.

A number of widely held "myths" about spending for education contribute to the Southeast's continuing status as the nation's poorest region. These beliefs must be addressed if regional policy makers are to help the Southeast move toward an adequate level of fiscal support for public education.

Myth 1: *While worthwhile in the long run, dollars spent on education are seen as overly burdensome in the short term.*
Reality: *Dollars spent on education provide an immediate benefit by creating jobs, by purchasing goods and services, and thus contributing on a continuing basis to local community economies.*

Education is a very large enterprise, employing over 970,000 people — 4.3 percent of the total civilian labor force in the Southeast. The wages and salaries of these people total $12.4 billion (in 1980-81) and comprise about 3 percent of the region's total personal income.

In addition to wages, southeastern states spend over $7 billion a year for goods and services to operate and maintain the schools and for construction of new school facilities. Thus, dollars for education not only benefit the community by supporting the education of its children, but play a key part in supporting the economies of local communities throughout the region.

Myth 2: *There has been a tremendous increase in the dollars spent on public education in the Southeast.*
Reality: *In truth, increases in school expenditures have been modest — tempered by high inflation and by additional demands for increased services.*

In actual dollars, southeastern states' public school spending between 1965 and 1982 rose from $4.4 billion to $21.3 billion — an increase of nearly 500 percent. When inflation is taken into account, however, the picture of growth is much more modest — only 3 percent per year between 1965 and 1982. Furthermore, today's education dollars support a much broader program of services for children than was true in the past.

Viewed in terms of expenditure per pupil, actual dollars spent increased from $451 in 1965 to $2,210 in 1981. In "real" (adjusted for inflation) dollars, however, the increase was slight — to only $689 in terms of 1965 purchasing power.

Myth 3: *Higher salaries have significantly improved the working conditions and economic status of instructional staff.*
Reality: *Because of inflation, the purchasing power of teachers' salaries has actually declined. Further, minimal spending for critically important support services reflects an even more serious situation.*

Overall expenditures per teacher — including salaries and the cost of support services — have increased only slightly over the past several decades. In 1965, the Southeast's average expenditure per teacher was 78 percent of the national average; in 1981, it had risen to 82 percent of the national average. Teachers' salaries in the region ($16,545) are currently 86 percent of the national average. It is estimated that, based on 1981 amounts, the Southeast would have to spend $1.3 billion more per year to bring teachers' salaries up to the national average and an additional $3.1 billion per year to bring the level of support services up to the national average.

Myth 4: *Despite its relative poverty, the Southeast makes a greater proportional expenditure for public education than do other regions of the country.*
Reality: *A look at per capita expenditure and expenditure per dollar of personal income shows that the Southeast's expenditure for public education is no more than the national average — a pattern that has held true for some time.*

Although per capita expenditures for public schools have risen significantly since 1965 — from $105 to $397 in the Southeast, and from $135 to $476 in the U.S. — over half the gains were wiped out by inflation. Further, per capita expenditure represents a relatively small percentage (4.5%) of per capita income — both in the Southeast and in the United States as a whole.

A review of expenditure relative to each dollar of personal income reveals similar patterns. The Southeast and the nation spend approximately the same amount on public schools — 4.5 cents per dollar of personal income — and that pattern has held true at least since 1965. At that time, both the region and the nation spent five cents of each dollar of personal income on public education. Of significance is the pattern of decline in relative support for public education — at the national and regional levels — over time.

Myth 5: *The Southeast has gradually been closing the gap with the rest of the nation and – continuing in this fashion – will "catch up" with the wealthier regions in due time.*
Reality: *Unless spending patterns change dramatically, there is little hope that the region will move beyond last place among regions.*

The gap between the Southeast and the national expenditure for education appears to be closing – moving from 72 percent of the national average in 1965 to 82 percent in 1981. However, without changes in funding patterns, the Southeast will not "catch up." Although the percentage difference may appear to grow smaller because inflation and real growth make the numbers larger, the difference in actual dollars will remain large. U.S. per pupil expenditures have been increasing at the real (inflationless) rate of $63 per year; Southeast per pupil expenditures at the rate of $61 per year. Thus, the present pattern of spending will *not* permit the Southeast to "catch up" to the national average spending on education.

Myth 6: *Improved education spending is beyond the resources of the relatively poor southeastern states.*
Reality: *While significantly increased support for schools will entail careful planning and some hard decisions, it is accessible to southeastern states and may cost as little as one cent more per dollar of personal income.*

A single penny could mean the difference between mediocrity and excellence for our public schools. If the level of support for public schools were raised by one cent for each dollar of personal income – to five and a half cents per dollar – the total resources available for public schools in the region would increase by $5.2 billion. These additional funds would raise per pupil expenditures to 101 percent of the national average, per teacher expenditures to 102 percent of the national average, and teachers' salaries to 107 percent of the national average.

INTRODUCTION

Although the United States Constitution leaves the responsibility for managing public schools to the states, the nation's history clearly demonstrates that public education serves a vital national function. An educated citizenry is critically important to the functioning of our democratic system of government; it is also essential to the nation's economy, providing not only skilled labor, but the creative workforce which has made the U.S. a technological leader of the world.

Schools play other important, though perhaps less obvious, roles. Throughout the nation's history, they have been used to meet various social goals: assimilation of immigrants, commitments to equal opportunities, and health and nutritional services to children. Schools are important social and cultural meeting places in communities across the country, and their governance is among the most important of our democratic processes.

Schools play equally vital roles in the American economy. Overall, the quality of the nation' workforce – that is, its level of education and skill training – is a major determinant of our economic health. On the local level, schools form an integral part of the nation's economic base, representing an important source of employment and a major purchaser of goods and services in every community in the country.

The schools' role in the region's economic system is the focus of this report. The nature of expenditure for education and the levels of commitment and patterns of spending can affect not only the quality of schooling, but the quality of life and economic health of the region.

The topic is one of special concern to the southeastern states, due to their traditionally low standing in comparison to other regions of the country. The Southeast – on the average – has lower per capita income, lower levels of student achievement, and deeper levels of poverty than do other regions. Despite progress in spending patterns (see Table 1), the Southeast also spends less on public education.

The relationship between the two is not coincidental. Historically, the Southeast has been caught in a cycle which feeds upon itself: low levels of support for public education – less skilled labor – fewer high-wage businesses attracted to the region – predominance of businesses relying on unskilled labor – fewer and lower paying jobs – less growth – lower per capita income – lower standard of living – lower tax base to support schools and other services. Will the historic cycle continue, or will it be reversed?

The region must offer a highly skilled workforce to attract more business and industrial growth. This will lead to greater job opportunities – higher per capita income, which in turn contributes to a higher standard of living –

TABLE 1
Measures of Education Spending
Southeast Region

	1965	1981
Total Spending	$4,379,000,000	$21,277,000,000
Per teacher expenditure	11,956	41,840
Per pupil expenditure	451	2,209
Per capita expenditure	105	397
Per dollar of income	.05	.04

a greater tax base to support public schools – higher expectations of schools and other government services – greater support for public education – greater levels of achievement – and so on.

It would be wonderful if it were possible to identify the exact level of education spending required for prosperity and continued economic growth. The frustrating reality is that, although a relationship exists between quality education, the economic well-being of a state or community, and the level of public spending (see Figure 1), there is no magic formula – no perfect number of dollars per pupil – which guarantees prosperity.

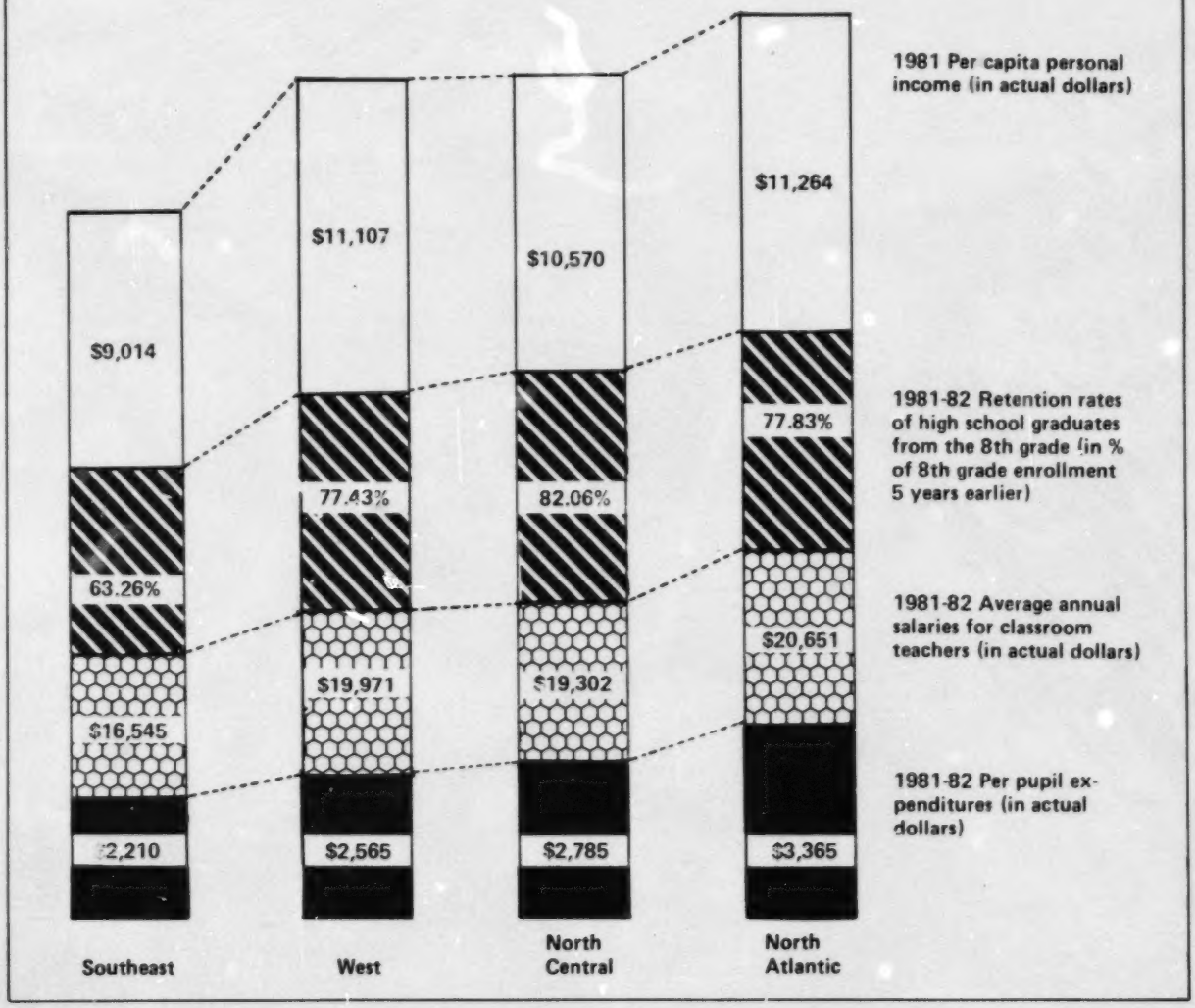
That does not suggest, however, that one cannot affect the quality of education – and thus, the quality of a community's standard of living – by the level and pattern of spending for education. If the relationship between education and economic well-being cannot be reduced to a single dollars-per-pupil figure, it is nonetheless clear and direct. Furthermore, of all the variables in the complex economic cycle which represents American society, education spending is among the most accessible and more directly affected by the public governance process. While state legislatures cannot create new jobs or raise per capita income directly, they can do so indirectly through the amount of support given to the education of the citizenry.

Thus, this report deals with the adequacy of expenditures for public education and with the patterns of such expenditures and how those patterns might be altered to provide greater support for the schools – and thus for the economy – of the Southeast.

This report concentrates on several widely held beliefs about education expenditures – beliefs which might more accurately be termed myths. Since these beliefs may limit regional policy makers in their efforts to improve the quality of public education, a more complete, accurate understanding of the nature of education spending is extremely important.

FIGURE 1

REGIONAL COMPARISONS OF EDUCATIONAL AND ECONOMIC MEASURES



Myth:

While worthwhile in the long run, dollars spent on education are seen as overly burdensome in the short-term.

Reality:

Dollars spent on education provide an immediate benefit by creating jobs, by purchasing goods and services, and thus contributing on a continuing basis to local community economies.

The Immediate Impact Of Education Spending

Education is a very large enterprise. The provision of education services to over 9.5 million children in the public schools of the southeastern states each year mobilizes a broad array of resources. Schools hire teachers – over half a million teachers currently in the 12 southeastern states. They also hire many other people: mechanics, principals, electricians, librarians, cooks, superintendents, bus drivers, computer programmers, janitors, and scores of others. The total number of persons employed in the public school systems of the region is currently in excess of 970,000. Table 2 shows the size of public school employment for each southeastern state. Approximately half of the employees of public school systems work outside the classroom carrying out functions which make it possible for those in the classroom to teach.

TABLE 2

Public School Employment

1980

REGION	*Classroom Teachers*	*Total Staff*
U.S.	2,185,056	4,192,296
Southeast	503,313	972,696
North Atlantic	528,987	984,245
North Central	578,824	1,086,625
West	573,932	1,148,730
Alabama	31,534	64,356
Arkansas	24,078	44,892
Florida	80,285	156,705
Georgia	56,514	102,508
Kentucky	33,301	64,693
Louisiana	43,930	86,204
Mississippi	25,933	52,464
North Carolina	56,169	112,414
South Carolina	31,934	61,986
Tennessee	40,940	81,020
Virginia	57,027	105,399
West Virginia	21,668	40,055

The total public school employment represents 4.3 percent of the civilian labor force of the region – almost one in every 20 workers in the Southeast is employed in the public school system. The wages and salaries of these people total $12.4 billion (1980-81 data), and comprise about 3 percent of the total personal income (wages, salaries, interest, dividends, and proprietorship profits) of the region.

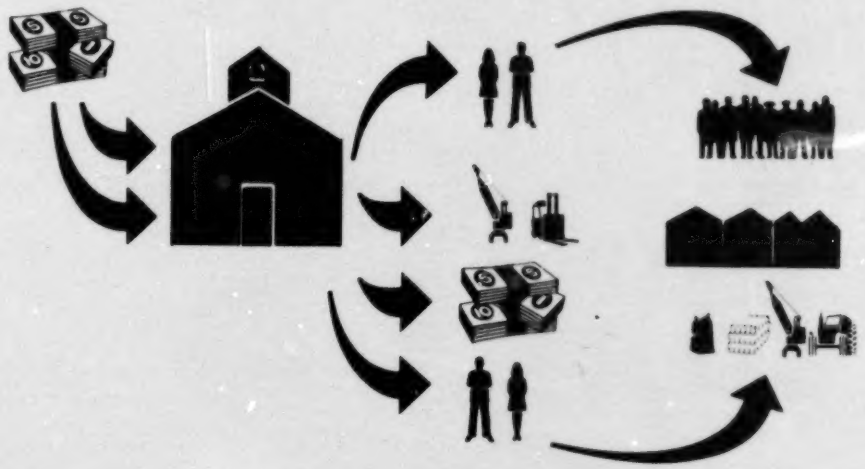
In addition to wages, southeastern states spend over $7 billion annually for purchases of goods and services to operate and maintain the schools and for construction of new school facilities. That amount represents approximately one-third of every dollar spent for education. The recipients of these dollars are primarily private businesses located in the communities which the schools serve. They range from the people who furnish gasoline for buses and the grocers who supply goods to the cafeterias to the contractors who build new school buildings and the suppliers of office supplies and equipment.

In many small communities of the Southeast, especially those which have not yet experienced much industrial growth, the school system is the largest single employer. In those communities, school dollars represent an important way of bringing purchasing power into the community from the outside.

As a stimulus to local economic activity, the jobs and spending associated with the operation of school systems also have important indirect impact on their communities. Since people employed by the schools spend their wages to buy groceries, housing, clothing, and other family consumable goods, their spending creates employment opportunities for other people in grocery stores, home construction industry, retail establishments, and other service occupations. These jobs and incomes resulting from the expenditure of public school employees' wages are the indirect impact of the money spent for public education. This effect is illustrated in Figure 2.

FIGURE 2

EDUCATION SPENDING FLOWS THROUGH THE COMMUNITY



Myth:

There has been a tremendous increase in the dollars spent on public education in the Southeast.

Reality:

In truth, increases in school expenditures have been modest – tempered by high inflation and by additional demands for increased services.

Progress In Education Spending

In actual dollars, the record of public school expenditures during the period 1965 to 1982 appears to be one of tremendous growth. For the 12 southeastern states, total public school expenditure rose from $4.4 billion in 1965-66 to $21.3 billion in the 1981-82 school year. Those numbers must be viewed, however, in light of two very important factors: inflation and additional services provided by the schools.

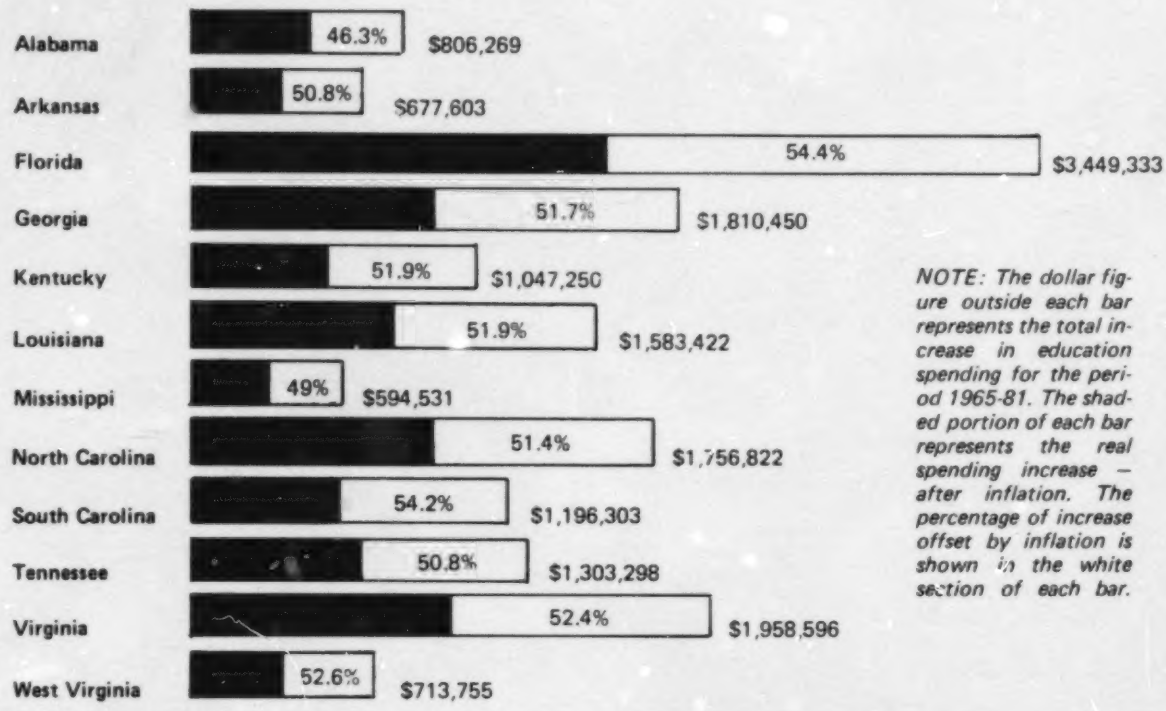
On the plus side, education funds support a great deal more services than ever before. Southeastern schools in 1980 provided individualized instruction to some 978,000 handicapped students – compared to 510,000 8 years before. Similarly, kindergarten enrollments increased fourfold between 1970 and 1982, and high school graduates in the population increased from 43 to 59 percent. Ten of the southeastern states provide statewide proficiency testing; all now offer remedial services to their students as well as extensive school counseling programs, school lunch and breakfast programs, transportation, and other important support services. In short, the increased range of services requires a much increased level of funding.

When inflation is taken into account, the seemingly sharp rise in expenditures is largely illusory. The period from 1965 to 1982 was one of great price inflation in the U.S. economy – prices rose more than threefold in that period. Nationally, 49% of increased education expenditure was offset by inflation. In the Southeast, because expenditure increases were relatively smaller, inflation offset 52% of the spending growth between 1965 and 1981. Figure 3 shows the total spending increase and percentage offset by inflation for each southeastern state during the 1965 - 1981 period.

Within the region, the real growth of educational spending varied widely between states. Real growth was 88 percent in Florida (averaging 5 percent per year), but only 7 percent in Alabama (averaging less than one-half of one percent per year). Naturally, these differences in total ex-

FIGURE 3

1965-81 TOTAL SPENDING INCREASE AND INFLATION



NOTE: The dollar figure outside each bar represents the total increase in education spending for the period 1965-81. The shaded portion of each bar represents the real spending increase — after inflation. The percentage of increase offset by inflation is shown in the white section of each bar.

penditure growth rates were tempered by significant differences in enrollment growth. Because of population migration, Florida's enrollment rose from 1,220,581 in 1965 to 1,482,261 in 1982. Simultaneously, the Alabama enrollment fell from 831,701 to 719,385.

The comparative figures for real education spending growth, shown in Table 3, should be interpreted with care. Differences in budget and reporting practices make interstate comparisons very difficult to interpret. For example, the reported spending growth for South Carolina appears as 5 percent per year, near the top for the region. However, that ranking may be misleading. In South Carolina, some elements of vocational training program spending — a significant spending growth item everywhere — are included in the public school expenditure figures, but those same elements may be reported under separate budget headings by other states.

In 1965, public schools were allocated 30 percent of the total revenues available to state and local governments in the Southeast. By 1981, that percentage of support had declined to 25 percent. That decline in the relative level of support for public schools is an important fact which has been too readily ignored in recent discussions of the need to improve school quality. Figure 4 shows the average distribution of spending among the various functions of state and local governments during a recent ten-year period.

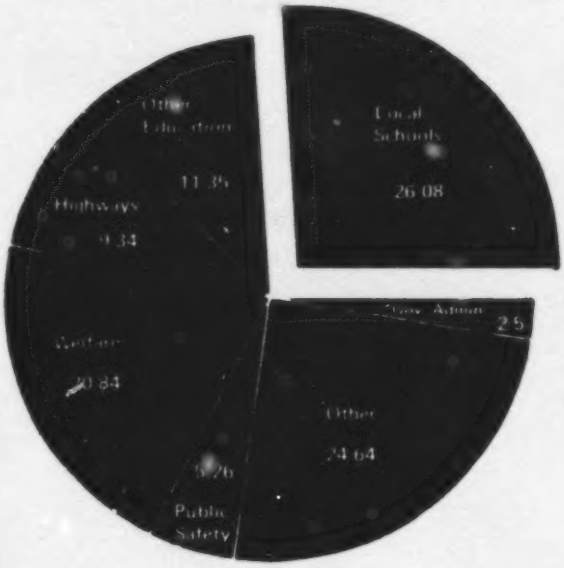
TABLE 3

Total Educational Expenditure (in thousands)

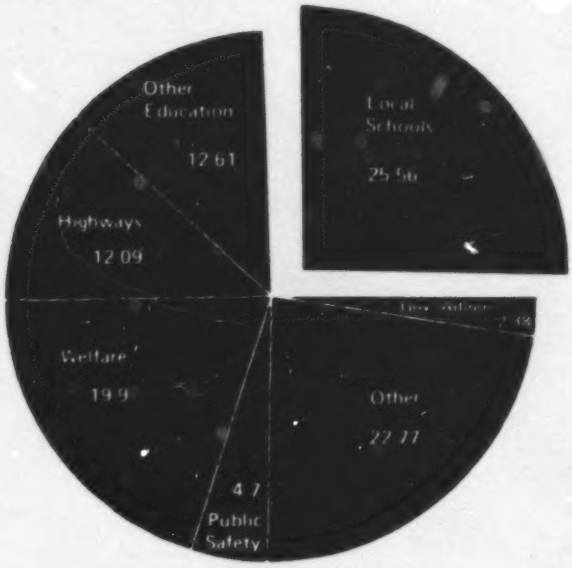
	1965	1981
U.S. $	26,248,026	109,142,599
Southeast	4,379,471	21,277,103
Alabama	332,246	1,138,515
Arkansas	198,325	875,928
Florida	684,208	4,133,541
Georgia	488,684	2,299,134
Kentucky	275,650	1,322,900
Louisiana	419,711	2,003,133
Mississippi	202,186	796,717
North Carolina	486,932	2,243,754
South Carolina	242,097	1,438,400
Tennessee	381,597	1,684,895
Virginia	491,988	2,450,584
West Virginia	175,847	889,602

FIGURE 4

DISTRIBUTION OF STATE AND LOCAL GOVERNMENT EXPENDITURE BY FUNCTIONS



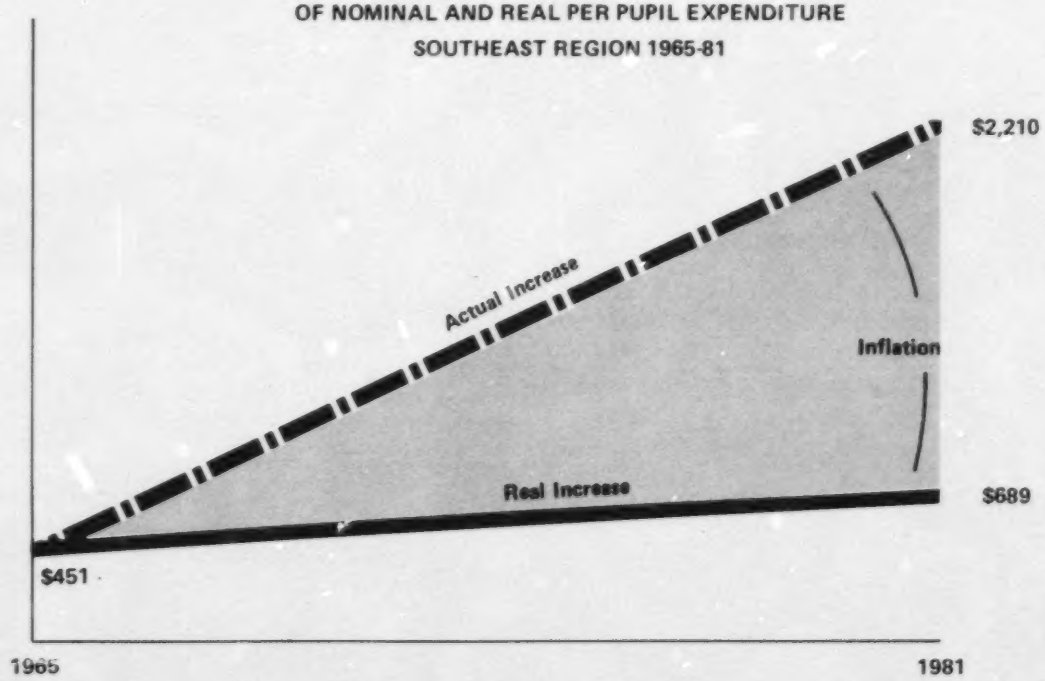
Average Annual Expenditures
Of State and Local Governments
By Function – 1970 - 1980
U.S. Average



Average Annual Expenditures
Of State and Local Governments
By Function – Southeast Region
1970 - 1980

FIGURE 5

AVERAGE ANNUAL GROWTH
OF NOMINAL AND REAL PER PUPIL EXPENDITURE
SOUTHEAST REGION 1965-81



Per Pupil Expenditure

A frequently used measure of educational expenditure is the amount spent per pupil. These data are important because they focus attention on the recipients of the educational services. In the U.S. as a whole, average total expenditure per pupil enrolled in public schools rose from $622.82 in 1965-66 to $2,209.55 in 1981-82 – an increase of over 250 percent. Once again, the growth in actual amounts was largely offset by inflation. In terms of 1965 purchasing power, the U.S. per pupil expenditure in 1981-82 was equivalent to only $845.47 (a real increase of 35 percent) and for the Southeast region, the comparable real figure was $688.75 (a real increase of 53 percent over the $450.70 expended in 1965). Figure 5 on the preceding page compares the growth of real and nominal per pupil expenditure for the Southeast.

The growth of per pupil expenditure in the Southeast during the 1965-1982 period did narrow the gap between regional and national expenditure rates. In the 1981-82 school year, per pupil expenditure in the Southeast was 81 percent of the national per pupil expenditure figure – up from 72 percent of the U.S. amount in 1965.

Within the region, the variation of per pupil expenditures by states has increased since 1965. In that year, the state with the highest per pupil expenditure (Florida) was 25 percent above the regional average, while the lowest-ranking state (Mississippi) was 76 percent of the regional average. In 1981, the highest ranked state (Florida) was again at 125 percent of the regional average, but the lowest ranked state (Alabama) was at 69 percent of the regional average.

Table 4 compares 1965 and 1981 per pupil expenditure amounts for the nation, the four regions, and each of the 12 southeastern states. While the record shows regional gains relative to the national average, the southeastern states remain below that average (except for Florida*). The comparison to the national average is made for several reasons. It is not, however, because the national average represents the "right" amount of per pupil expenditure. In fact, the many improvements in school programs recommended by several recent national commissions would require a far greater national average per pupil expenditure than the present one.

The national level offers the Southeast a provisional goal for educational spending. Since expenditure levels have been shown to be related to educational results, the lower per pupil spending in the Southeast implies that the typical student in the region receives less education than students in other regions. The result is less skill, lower potential productivity, and less ability to compete for high-wage jobs in new and expanding industries. The Southeast's deficit in per pupil expenditure relative to the national average is important because it affects the region's ability to attract and sustain economic growth.

There are other ways of summarizing and comparing education spending trends. They include expenditure per teacher, expenditure per capita, and expenditure per dollar of personal income. Those and other perspectives reinforce the message derived from the per pupil expenditure trend: The Southeast has made progress, but the region is still spending less on education than the rest of the nation.

**If federal revenues are excluded from per pupil expenditure figures, every southeastern state – including Florida – is below the national average.*

TABLE 4

Per Pupil Expenditure

	1965	1981
U.S. $	622.82	2,712.28
Southeast	450.70	2,209.55
North Atlantic	757.82	3,365.06
North Central	609.75	2,785.39
West	669.11	2,564.61
Alabama	399.48	1,521.40
Arkansas	439.52	2,002.05
Florida	560.56	2,782.42
Georgia	463.17	2,06[illegible].44
Kentucky	414.48	2,009.42
Louisiana	522.94	2,563.85
Mississippi	345.84	1,689.17
N. Carolina	412.11	2,002.99
S. Carolina	379.47	2,346.22
Tennessee	437.61	2,009.90
Virginia	498.91	2,476.47
West Virginia	410.34	2,353.47

Myth:

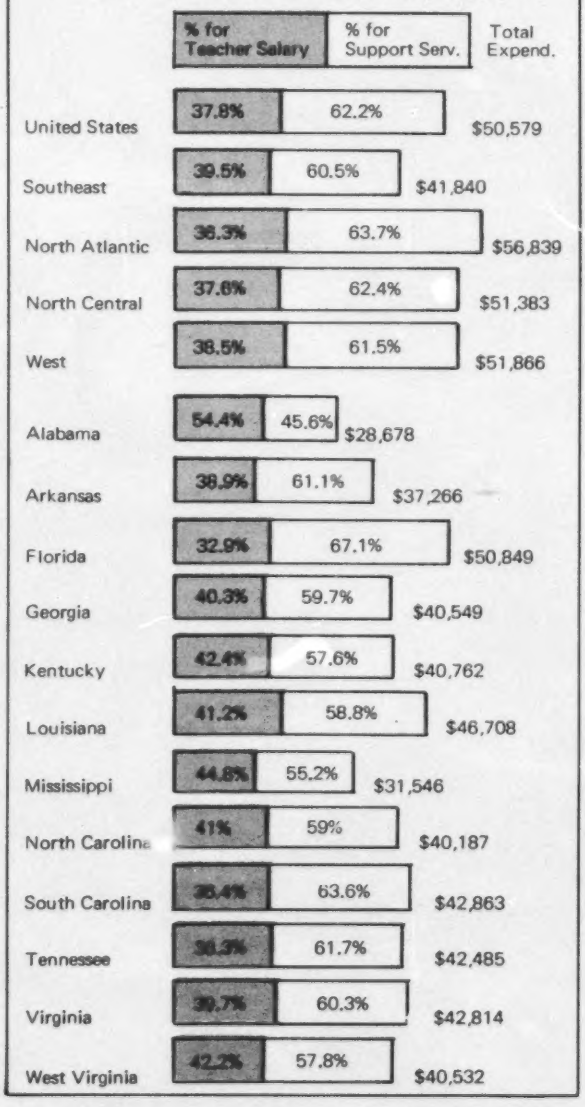
Higher salaries have significantly improved the working conditions and economic status of instructional staff.

Reality:

Because of inflation, the purchasing power of teachers' salaries has actually declined. Further, minimal spending for critically important support services reflects an even more serious situation.

FIGURE 6

EXPENDITURE PER TEACHER – 1981


% for Teacher Salary
% for Support Serv.
Total Expend.
United States 37.8% 62.2% $50,579
Southeast 39.5% 60.5% $41,840
North Atlantic 36.3% 63.7% $56,839
North Central 37.6% 62.4% $51,383
West 38.5% 61.5% $51,866
Alabama 54.4% 45.6% $28,678
Arkansas 38.9% 61.1% $37,266
Florida 32.9% 67.1% $50,849
Georgia 40.3% 59.7% $40,549
Kentucky 42.4% 57.6% $40,762
Louisiana 41.2% 58.8% $46,708
Mississippi 44.8% 55.2% $31,546
North Carolina 41% 59% $40,187
South Carolina 36.4% 63.6% $42,863
Tennessee 38.3% 61.7% $42,485
Virginia 39.7% 60.3% $42,814
West Virginia 42.2% 57.8% $40,532

Expenditures Per Classroom Teacher

All of the resources of the educational system come together to support the work of the classroom teacher. It is through the teacher that the resources devoted to the public schools are transformed into the education of children. Examination of expenditure per classroom teacher provides a perspective on the magnitude of resources which come together at that crucial transformation point.

In 1981, the U.S. average total expenditure per classroom teacher was $50,579. This amount includes the teacher's salary plus the cost of all the "tools" that make it possible for the teacher to carry out his or her job. In the Southeast, the expenditure per teacher was $41,840 – 82 percent of the national figure. Per teacher expenditure in the Southeast is only slightly larger as a percent of the national average than per pupil expenditure. The difference is accounted for by the slightly larger ratio of students per teacher found in the southeastern states' schools. As a percentage of the national level, expenditure per teacher in the Southeast has not been changing very rapidly. The level in 1965-66 was 78 percent of the national figure. The lower per teacher expenditure in southeastern public schools reflects both lower teachers' salaries than the national average and less support to aid the teacher in the classroom.

Teachers' salaries in the southeastern states averaged $16,545 in the 1981-82 school year, compared to a national average of $19,152. At 86 percent of the national average, teachers' salaries in the region were closer to the U.S. amount than was total expenditure per teacher. When teachers' salaries are deducted from expenditure per teacher, the national average amount remaining is $31,427 for expenditure on support services and facilities. Figure 6 shows the salary and support services relationship for each southeastern state. For the Southeast, the amount remaining after deducting teachers' salaries is $25,295 – or only 80 percent of the national average for support services and facilities.

Most often, efforts to improve education and increase funding for schools focus first on increased salaries for teachers. That has been particularly true – and necessary – at a time when competition for skilled staff is high. As important as that budget item is, however, the data point to the need to consider more than just salaries.

The trend of the past two decades shows the south-

eastern states increasing their education spending primarily for the purpose of raising teacher salaries. Based on 1981 amounts, the southeastern states would have to spend $1.3 billion more per year to bring the region's teachers' salaries up to the national average. The states would have to spend an additional $3.1 billion per year, however, to bring the level of support services and facilities up to the national average.

One can therefore conclude that, unless more resources are provided to support the classroom effort for teachers, increased teachers' salaries in this region may not result in anticipated improvement in the educational outcome. Even very capable and talented teachers must have the support of well-stocked school libraries, of modern and effective teaching materials, of adequate classrooms and communications equipment, of administrative services that make it easier for them to focus on the task of teaching, and of food and transportation services which bring them students whose minds are ready to learn and are not distracted by hunger or exhaustion.

Myth:

Despite its relative poverty, the Southeast makes a greater proportional expenditure for public education than do other regions of the country.

Reality:

A look at per capita expenditure and expenditure per dollar of personal income shows that the Southeast's expenditure for public education is no more than the national average — a pattern that has held true for some time.

TABLE 5

Per Capita School Expenditure and Per Capita Personal Income — 1981

	School Expend.	Income
United States	$ 475.97	10,517.39
Southeast	397.07	9,013.72
North Atlantic	540.99	11,263.96
North Central	494.40	10,570.02
West	469.18	11,106.81
Alabama	290.66	8,195.05
Arkansas	381.50	8,057.49
Florida	405.93	10,046.16
Georgia	412.47	8,952.28
Kentucky	361.25	8,465.32
Louisiana	464.98	9,493.96
Mississippi	314.78	7,269.85
North Carolina	376.91	8,684.70
South Carolina	454.18	8,051.78
Tennessee	365.33	8,607.98
Virginia	451.30	10,441.99
West Virginia	455.74	8,350.41

Per Capita Expenditure For Public Schools

Per capita education expenditure is that amount spent for public school operation on behalf of each citizen. In 1981, the U.S. per capita expenditure for public schools was $476; in the Southeast it was $397. Both of these figures are the result of steady increases over time. In 1965, the U.S. per capita public school expenditure was $135 and the comparable amount for the Southeast was $105. However, inflation during the 1965-1981 period wiped out over half of that apparent gain.

Per capita expenditure provides a useful way of measuring school spending effort since, directly or indirectly, all citizens benefit from the operation of the public school system. The per capita expenditure figures are remarkable because they are so small, especially in comparison to per capita personal income. Per capita income nationwide was $10,517 in 1981, and in the Southeast it was $9,014. Table 5 compares personal income for each of the southeastern states.

Expenditure Per Dollar Of Personal Income

Another way of looking at education expenditure is relative to each dollar of personal income. Since personal income is the sum of all wages, salaries, dividends, proprietor's profits, interest income, and other payments to individuals during a year, it represents the total amount of funds available to individuals for spending on consumption, for savings, and for paying taxes. Personal income therefore provides an important standard against which to measure school spending effort.

It is commonly asserted, in discussions of education finance issues, that low levels of expenditure in the Southeast are excused by the region's lower levels of income. The implication is that, relative to the available income, the states of the region make a greater effort to support education than other regions of the country. In fact, the idea of greater spending effort in the Southeast is a myth. This is revealed in the data in Table 6, showing 1965 and 1981 expenditure on schools per dollar of personal income – for the U.S., each region, and the southeastern states. The Southeast spends essentially the same amount – four and a half cents – of each dollar of personal income on public schools as the rest of the nation.

That is true now, and it was true as far back as 1965, when both the nation and the Southeast spent five cents of each dollar of personal income on public education. For both the Southeast and the nation as a whole, the trend of the past 16 years has been for the percent of personal income which is directed toward public schools to decline. This trend provides an important context in which to interpret the conclusions of the National Commission on Excellence in Education that we are a "nation at risk" because of inadequate support for education.

TABLE 6

Education Expenditure Per Dollar Of Personal Income

	1965	1981
U.S.	.049	.045
Southeast	.046	.044
North Atlantic	.046	.048
North Central	.046	.047
West	.056	.042
Alabama	.049	.035
Arkansas	.055	.047
Florida	.048	.040
Georgia	.051	.046
Kentucky	.042	.043
Louisiana	.057	.049
Mississippi	.054	.043
North Carolina	.048	.043
South Carolina	.051	.056
Tennessee	.049	.042
Virginia	.046	.043
West Virginia	.047	.055

Myth:

The Southeast has gradually been closing the gap with the rest of the nation and – continuing in this fashion – will "catch up" with wealthier regions in due time.

Reality:

Unless spending patterns change dramatically, there is little hope that the region will move beyond last place among regions.

Looking Ahead to Future Progress

The prospects for progress in the future to improve schools through increased funding are implied in the record of the past. That record, in summary, shows that, offset by inflation, the average real increase of public school expenditures in the Southeast was only 3 percent per year between 1965 and 1982, and that total education expenditure has declined relative to other categories of government spending. The record further shows that per pupil expenditure – after deducting for inflation – rose at an average rate of only $61 per year (in 1981 purchasing power) and remained at 81 percent of the national average. It also shows that teachers' salaries have grown faster than expenditures for other categories of school services, but that both teachers' salaries and support service funds remain below the national average. Finally, the record shows that, contrary to popular belief, the southeastern states' efforts to support education –

at 4.5 cents of each dollar of personal income – are no greater than that of the rest of the nation, and the level of effort has actually declined since 1965.

Looking ahead – assuming that the patterns of the past would continue – the Southeast can expect little significant progress in funding support for the public schools relative to other regions of the country.

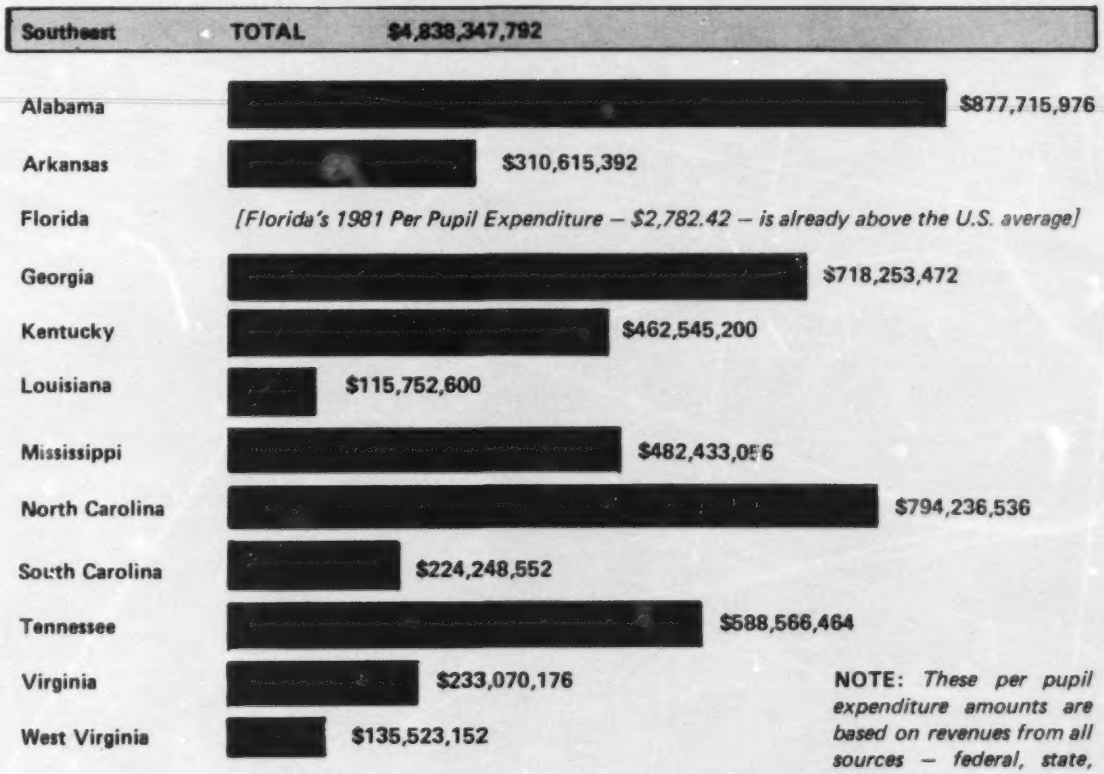
The gaps between regional and national measures of educational expenditure imply significant challenges to the future growth of support for public schools. To bridge the gap between 1981 U.S. and southeastern per pupil expenditure would require a total of $4.8 billion of increased funding. Figure 7 shows the increased funding (based on 1981 levels) that would be required to bring each southeastern state up to the national average. That $4.8 billion amount would be equivalent to an additional per capita expenditure of $90.40.

The $4.8 billion dollars implied by the difference between the 1981 regional and national per pupil expenditure levels indicates the quantum jump in public school support that would be needed to allow the Southeast to catch up to the rest of the nation. Such an amount would be a 23 percent increase above the region's total expenditure of $21.3 billion for schools in 1981.

It is frequently held that gradual changes over time will close the Southeast's multi-billion dollar education spending gap in an effortless and automatic manner. Since per pupil expenditure has risen from 71 percent of the national average in 1965 to 82 percent in 1981, many conclude that the gap will eventually be closed if we just keep doing what we have done in the past and make no further commitment to changes in funding patterns.

That conclusion does not hold. The percentage difference may appear to grow smaller over time because inflation and real growth make the numbers against which the percentage is calculated larger, but the difference in actual dollars may remain forever. Based on 1981 purchasing power, the real (inflationless) increase in U.S. per pupil

FIGURE 7
ADDITIONAL 1981 TOTAL EXPENDITURE TO BRING EACH STATE UP TO 1981 U.S. PER PUPIL EXPENDITURE AMOUNT ($2,712.28)



NOTE: *These per pupil expenditure amounts are based on revenues from all sources – federal, state, and local.*

TABLE 7

Linear Trend Projection
With 1965-81 Per Pupil Expenditure Real Growth Trend as Base
And Two Alternative Cases
Southeastern Region

Projected Per Pupil Expenditure Amount and Percent of U.S. PPE

Year	*Current Real Growth*	*% of U.S. PPE*	*Real Gro vth of $75/yr.*	*% of U.S. PPE*	*Real Growth of $100/yr.*	*% of U.S. PPE*
1981	2209	81.5	2209	81.5	2209	81.5
1982	2270	81.8	2284	82.3	2309	83.2
1983	2331	82.1	2359	83.1	2409	84.9
1984	2392	82.5	2434	83.9	2509	86.5
1985	2453	82.8	2509	84.6	2609	88.0
1986	2514	83.1	2584	85.4	2709	89.5
1987	2575	83.3	2659	86.1	2809	90.9
1988	2636	83.6	2734	86.7	2909	92.3
1989	2697	83.9	2809	87.3	3009	93.6
1990	2758	84.1	2884	88.0	3109	94.8
1991	2819	84.4	2959	88.5	3209	96.0
1992	2880	84.6	3034	89.1	3309	97.2
1993	2941	84.8	3109	89.6	3409	98.3
1994	3002	85.0	3184	90.2	3509	99.4
1995	3063	85.2	3259	90.7	3609	100.4
1996	3124	85.4	3334	91.2	3709	101.4
1997	3185	85.6	3409	91.6	3809	102.4
1998	3246	85.8	3484	92.1	3909	103.3
1999	3307	86.0	3559	92.5	4009	104.2
2000	3368	86.2	3634	93.0	4109	105.1
2001	3429	86.3	3709	93.4	4209	106.0
2002	3490	86.5	3784	93.8	4309	106.8
2003	3551	86.7	3859	94.2	4409	107.6

expenditure has been approximately equal to a $63 annual linear trend line. To eventually catch up to (and exceed) the national per pupil expenditure amount, the Southeast per pupil expenditure must increase along a trend line greater than $63 real annual growth (greater, since changes in the amounts for the 12 southeastern states would also change the target national average).

The education spending pattern of the past will not accomplish that goal since the trend for the Southeast has been equivalent to only $61 real growth in annual per pupil expenditure in 1981 terms. Assuming that the U.S. per pupil expenditure continues along the $63 per year trend (apart from increases to offset possible inflation), Table 7 shows how continuation of the past increase of $61 per year above 1981 levels would affect the Southeast's per pupil expenditure. The Table also shows the effect of $75 and $100 per year real increases in per pupil expenditure for the region as alternatives to the past growth pattern. The inescapable conclusion: Only if the states of the Southeast make a commitment to significantly increase the rate of growth in public school spending will the region ever stand a chance of closing the gap between school resources in the Southeast and school resources available to citizens in other parts of the United States.

Myth:

Improved education spending is beyond the resources of the relatively poor southeastern states.

Reality:

While significantly increased support for schools will entail careful planning and some hard decisions, it is accessible to southeastern states, and may cost as little as one cent more per dollar of personal income.

Viewed in terms of the multi-billion dollar scale of additional funds that would be needed to bring the Southeast up to the national average of per pupil expenditure, the challenge of increasing the commitment to public schools may appear so large as to discourage effort. Another way of viewing the situation not only renders the challenge less daunting, but offers one possible means of marshalling funds to support schools. That viewpoint is to look at school expenditure per dollar of personal income.

Viewed from that perspective, what would be the cost of "catching up" to the rest of the nation — or exceeding the national average? Since the amount currently spent nationally and in the Southeast is only 4.5 cents for each dollar of personal income, the extra effort would have to be only about one additional cent of each personal income dollar.

If the level of support for public schools were raised by one cent for each dollar of personal income — to five and a half cents per dollar — the total resources available for public schools in the region would increase by $5.2 billion. That would be a 24 percent increase in the total resources available to provide public education. That one extra penny would raise per pupil expenditure to $2,739 — or 101 percent of the current national average expenditure. That one extra penny would raise per teacher expenditure to $51,881 — 102 percent of the current national average. Based on the existing ratio of average teachers' salaries to other costs, the extra penny would make it possible to raise average teachers' salaries in the region to $20,515 — 107 percent of the national average and competitive with salaries in other sectors of our growing economy.

TABLE 8

Effect of One Extra Penny Of Each Dollar of Personal Income

	Added Total Expenditure	*Per Pupil Expenditure*
Southeast	4,830,151,900	2,759
Alabama	321,000,000	2,159
Arkansas	185,000,000	2,114
Florida	1,023,000,000	3,443
Georgia	499,000,000	2,242
Kentucky	310,000,000	2,354
Louisiana	409,000,000	2,617
Mississippi	184,000,000	1,951
North Carolina	517,000,000	2,308
South Carolina	255,000,000	2,080
Tennessee	397,000,000	2,368
Virginia	567,000,000	2,865
West Virginia	163,000,000	2,156

IN CONCLUSION

It is not a myth that schools play a key role in the nation's economic health. Nor is it a myth that the Southeast region lags behind other parts of the country in terms not only of its contributions to quality education, but in terms of both educational and work opportunities for its citizens.

The beliefs that the region has made large gains in spending, that it spends proportionately more than other regions, and that it is gradually "catching up" to other regions are myths, however, and have limited educational and economic progress in the Southeast for many years.

The states in the Southeast face an important choice: to move ahead to a place of national leadership in educating their citizens or to continue to occupy "last place" among the regions. The choice to move ahead will require careful planning and a broad public commitment. Its cost: one extra penny per dollar of personal income — a penny that may mean the difference between excellence and mediocrity not only in our schools, but in the quality of our lives.

The Southeastern Regional Council for Educational Improvement is a non-profit, interstate organization created and governed by the Chief State School Officers of twelve southeastern states. A major function of the Southeastern Regional Council is to assist member State Departments of Education to study educational policy issues within the social, political, and economic context of the region and to design alternatives for policy action.

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